

LEGISLATIVE BUDGET BOARD
Austin, Texas

FISCAL NOTE, 80TH LEGISLATIVE REGULAR SESSION

April 29, 2007

TO: Honorable Steve Ogden, Chair, Senate Committee on Finance

FROM: John S. O'Brien, Director, Legislative Budget Board

IN RE: SB107 by Ellis (Relating to exemptions from the sales tax for certain school supplies and instructional materials.), **As Introduced**

Estimated Two-year Net Impact to General Revenue Related Funds for SB107, As Introduced: a negative impact of (\$52,316,000) through the biennium ending August 31, 2009, if the effective date of the bill is July 1, 2007; or a negative impact of (\$30,124,000) through the biennium ending August 31, 2009, if the effective date of the bill is October 1, 2007.

The following fiscal implications assume an effective date of July 1, 2007.

All Funds, Six-Year Impact:

Fiscal Year	Probable Revenue Gain/(Loss) from <i>GENERAL REVENUE FUND 1</i>	Probable Revenue Gain/(Loss) from <i>City Sales Tax Revenue</i>	Probable Revenue Gain/(Loss) from <i>County and SPD Sales Tax Revenue</i>	Probable Revenue Gain/(Loss) from <i>MTA Sales Tax Revenue</i>
2007	(\$5,807,000)	\$0	\$0	\$0
2008	(\$22,553,000)	(\$4,331,000)	(\$560,000)	(\$1,486,000)
2009	(\$23,956,000)	(\$4,601,000)	(\$594,000)	(\$1,578,000)
2010	(\$25,458,000)	(\$4,888,000)	(\$630,000)	(\$1,677,000)
2011	(\$27,028,000)	(\$5,190,000)	(\$670,000)	(\$1,780,000)
2012	(\$28,704,000)	(\$5,512,000)	(\$711,000)	(\$1,891,000)

The following fiscal implications assume an effective date of October 1, 2007.

Fiscal Year	Probable Revenue Gain/(Loss) from <i>GENERAL REVENUE FUND 1</i>	Probable Revenue Gain/(Loss) from <i>City Sales Tax Revenue</i>	Probable Revenue Gain/(Loss) from <i>County and SPD Sales Tax Revenue</i>	Probable Revenue Gain/(Loss) from <i>MTA Sales Tax Revenue</i>
2008	(\$6,168,000)	\$0	\$0	\$0
2009	(\$23,956,000)	(\$4,601,000)	(\$594,000)	(\$1,578,000)
2010	(\$25,458,000)	(\$4,888,000)	(\$630,000)	(\$1,677,000)
2011	(\$27,028,000)	(\$5,190,000)	(\$670,000)	(\$1,780,000)
2012	(\$28,704,000)	(\$5,512,000)	(\$711,000)	(\$1,891,000)

Fiscal Analysis

The bill would amend Chapter 151 of the Tax Code to exempt certain school supplies from the limited sales and use tax. Under the provisions of the bill, the items must be purchased for use by a student in a public or private elementary or secondary school, have a sale price of less than \$100, and must be purchased during the three-day sales tax holiday on clothing and footwear each August.

The bill would only require a retailer to obtain an exemption certificate in instances where the quantity purchased would indicate a non-school usage.

The bill would take effect July 1, 2007 if it receives two-thirds vote in each house; otherwise, it would take effect October 1, 2007.

Methodology

For the purpose of this estimate, the Comptroller of Public Accounts gathered data from the U.S. Census Bureau on the sale of school supplies, including backpacks and textbooks, in Texas. The Comptroller adjusted the sales data for the appropriate price range and duration of the holiday period. The estimates were multiplied by the state sales tax rate and extrapolated through fiscal 2012. The analysis assumes that the bill would exempt a portion of the sales tax generated by college textbooks, as well as a portion of the sales tax collected on books sold at non-college, public bookstores.

The Comptroller proportionally estimated the fiscal impacts on units of local government.

Local Government Impact

The fiscal impact to local government is illustrated in the above tables. The Comptroller reported that there would be no impact on local governments in fiscal 2007 as remitted August sales tax collections would not be allocated to the local jurisdictions until fiscal 2008.

Source Agencies: 304 Comptroller of Public Accounts

LBB Staff: JOB, CT, SD, EB